In the eye of the storm over energy policy is Liddell, an ageing coal-fired power station owned by energy giant AGL.

Prime Minister Malcolm Turnbull has twisted the arm of AGL chief executive Andy Vesey to take to the company's board the proposition that it should extend the plant's life beyond its scheduled 2022 closure, or alternatively sell it to an operator that would carry it on.

AGL chief economist Tim Nelson says the company is running the rule over both options but he argues preserving the power station may not be the best solution. "The decision is not just economic, it is also also a commitment on carbon risk."

Nelson says the emissions profile of extending the life of coal-fired power stations is inconsistent with current commitments in AGL's greenhouse gas policy and the government's undertakings under the Paris climate accord. Add to that the hefty rehabilitation costs for 50-year-old Liddell and it seems "the numbers don't add up".

While AGL is reviewing government options, it is so far sticking to its alternatives for the site – repurposing it, or repowering it with zero-emissions technology.

But without a coherent policy framework it is hard to see an orderly transition in the energy market. Nelson says a clean energy target could fix the uncertainty, encouraging the replacement of old technology with a combination of renewables and "complementary capacity from flexible sources".

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

Authors: Michelle Grattan, Professorial Fellow, University of Canberra

Read more http://theconversation.com/politics-podcast-agl-chief-economist-tim-nelson-on-what-to-do-with-liddell-84427